



**Investment Office**

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February 19, 2008

**AGENDA ITEM 8c**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Selection of Member Home Loan Program Manager/Master Servicer
- II. PROGRAM:** Member Home Loan Program (MHLP)
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

**Background**

The CalPERS Member Home Loan Program (MHLP) was created by statute in 1981. Government Code Section 20200 established a home loan program to help members obtain purchase-money and refinance home loans. Since the inception of MHLP, over 129,700 loans have been closed with a total volume exceeding \$21 billion.

In October 2006, the Investment Committee elected to conduct a Request for Proposal for the MHLP (the RFP). After thorough development and review, the RFP was released in July 2007. Although four firms (including US Bank, Countrywide, Bank of America and CitiMortgage (incumbent manager)) registered to respond to the RFP, only CitiMortgage responded to the RFP and met the final filing deadline of September 19, 2007.

A three-person team, consisting of two portfolio managers and an investment officer, reviewed CitiMortgage's response to the RFP. The team concluded that CitiMortgage, the incumbent manager and master servicer, possesses the desired experience and qualifications for continued program responsibilities. Accordingly, staff is currently negotiating terms and fees with CitiMortgage.

### **Annual Review Provision**

As disclosed to the Investment Committee at its December 2006 meeting, and as prescribed in the RFP, staff intends to include an annual review provision in this contract, consistent with the contracting procedure used for most other investment management contracts. . The award of contracts with annual review provisions and undefined duration is allowed under Board Resolution 92-04B-4.

Annual review provisions fulfill CalPERS' fiduciary duties to its members because these provisions more efficiently use CalPERS staff and Board time and other resources.

### **V. STRATEGIC PLAN:**

Awarding the program management and master servicing functions of the MHLF is consistent with Strategic Goal V: Provide sustainable pension benefits and services responsive to and valued by members, employers and stakeholders.

### **VI. RESULTS/COSTS:**

Staff is currently negotiating contract fees and terms with CitiMortgage and expects coming to a satisfactory agreement within the next 30 days.

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Investment Officer II

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Daniel Kiefer  
Portfolio Manager

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Arnold B. Phillips  
Senior Portfolio Manager

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